

Date Mailed  
June 17, 1998

BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation on the Commission's Own Motion Into the Sale of  
Exchanges by Wisconsin Bell, Inc. (d/b/a Ameritech Wisconsin)  
to Century Telephone Enterprises (Kendall Telephone, Inc.)

2815-TI-100  
6720-TI-146

**NOTICE OF INVESTIGATION, REQUEST FOR COMMENTS,  
AND ASSESSMENT OF COSTS**

Comments Due:  
**July 16, 1998 – Noon**

FAX Due Date:  
**July 15, 1998 – Noon**

Address Comments To:  
**Scot Cullen**, Administrator  
Telecommunications Division  
Public Service Commission  
P.O. Box 7854  
Madison, WI 53707-7854  
Fax No. (608) 266-3957

Ameritech Wisconsin (Ameritech) is proposing to sell 19 of its local exchanges<sup>1</sup> in the state of Wisconsin to Century Telephone Enterprises (CTE). According to current plans, CTE will add these new exchanges to Kendall Telephone Company (Kendall). Kendall is a wholly-owned subsidiary of CTE.

As a result of 1993 Wisconsin Act 496, the Public Service Commission of Wisconsin (Commission) does not have jurisdiction over the approval of the sale and purchase of local exchanges. Pursuant to § 196.805, Stats., however, the Commission retains supervisory jurisdiction over the telecommunications utility, as necessary to enforce §§ 196.204 and 196.219, Stats., regarding cross-subsidization and consumer protection, respectively. The Commission has initiated dockets 2815-TI-100 and 6720-TI-146 to review the transaction under its continuing supervisory jurisdiction over the operations of Kendall and Ameritech in the state of Wisconsin.

Ameritech and Kendall filed a joint petition with the Federal Communications Commission (FCC) for waiver of study area boundaries. A "study area" is a geographical region generally composed of a telephone company's exchanges within a single state. On May 6, 1998, Commission staff met with representatives of CTE and Ameritech to discuss staff concerns with

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<sup>1</sup> The nineteen exchanges are: Ashland, Baraboo, Bayfield, Berlin, Cornell, Green Lake, Hurley, Ladysmith, Marinette, Mazomanie, North Freedom, Oconto, Oconto Falls, Peshtigo, Princeton, Redgranite, Stanley, Superior, and Washburn.

the pending sale. As a result of this meeting, staff prepared a memo dated May 7, 1998 (see Attachment A) recommending that the Commission send a letter to the FCC stating that it does not object to a study area waiver for the 19 exchanges. A letter order (see Attachment B) was sent to the FCC dated May 11, 1998, stating that this Commission does not oppose issuance of study area waivers associated with the proposed sale.

The Commission's issuance of the letter order was based on commitments received from CTE and Ameritech at the May 6, 1998, meeting and letters from CTE dated April 14, 1998 and May 7, 1998. As discussed in the May 7, 1998, memo to the Commission, staff supported granting a study area waiver as being in the public interest for the following reasons:

(a) Any shift in revenue requirement from interstate jurisdiction to intrastate will be immaterial, since both currently and after the sale, the new Kendall exchanges will not receive a subsidy for the Dial Equipment Minutes (DEM) weighting factor.

(b) After the sale, Kendall will no longer be a small telecommunications utility under § 196.01(8), Stats., and will, therefore, be subject to a higher degree of Commission regulation.

(c) Kendall is committing to no increases in local exchange retail prices (non-access charges) from current Ameritech Wisconsin rates until the year 2000.

(d) Kendall is contacting all providers who have interconnection agreements with Ameritech or purchase from Ameritech's interconnection tariffs to renegotiate these agreements or tariffs. Kendall is committing to abide by the current Ameritech interconnection agreements or tariffs covering the applicable exchanges that will transfer to Kendall in those instances where the competing provider is unwilling to accept a new agreement or tariff. In addition, Kendall is committing to consent to any new competitors seeking certification in all Kendall exchanges pursuant to § 196.50(1)(b)2.b., Stats. Also, Kendall is committing to waive its right for rural telephone company status for all 20 exchanges pursuant to 47 U.S.C. § 251(f)(1), except in those cases where it is not technically feasible. Kendall reserves its rights under § 251(f)(2) to petition the Commission for a suspension or modification of the application of a requirement of §§ 251(b) and (c). Kendall is also agreeing to tariff the 19 additional exchanges as permanent obliged-to-serve territories under § 196.50, Stats., as if Kendall had been the owner on September 1, 1994. Detariffing would only be permissible upon Commission order. Therefore, the opportunity to compete will be preserved in the 19 exchanges and enhanced by the easier entry procedure in the present Kendall exchange.

(e) Kendall is committing to promote consumer choice by offering new services such as voice mail and local Internet dial-up access services that Ameritech Wisconsin does not provide to these customers.

(f) Kendall is committing to create as many as 80 new telecommunications related jobs as a result of the purchase of the 19 exchanges, making additional infrastructure investment and service upgrades, and making significant capital expenditures to upgrade switching, transport, and exchange access architectures of all of the exchanges. As a result of these commitments, Kendall should promote economic development, including telecommunications infrastructure deployment.

(g) Since most of the new Kendall exchanges are adjacent to communities in which CTE affiliates already operate, Kendall will bring local customer service personnel closer to the customers in the new exchanges, allowing Century and Kendall to realize natural economies in serving the new territories. This will allow Kendall to promote efficiency and productivity.

In addition to the above reasons for granting a study area waiver, the Commission notes the following:

(a) Kendall is committing to reduce its intrastate access rates toward the benchmark rates set in docket 05-TR-103.

(b) As a medium-size telecommunications utility in Wisconsin, Kendall will be subject to rate-of-return regulation. Any increases in local exchange rates after the price freeze will be subject to Commission approval.

(c) Kendall is capable of continuing the per call billing currently done by Ameritech.

(d) Kendall will continue to offer intraLATA 1+ presubscription in the 19 exchanges and will extend intraLATA 1+ presubscription to the Kendall exchange as well.

(e) Ameritech will continue to administer 911 contracts in the 19 exchanges. Kendall will provide the necessary trunks and local lines. CTE has assured staff that the transition will be smooth and timely.

(f) Ameritech will continue to have custody of historical customer proprietary network information (CPNI) after the sale of the exchanges and Kendall will receive all current CPNI to allow it to serve its new customers.

(g) Ameritech will continue to be the intraLATA toll service provider of last resort for the 19 exchanges.

(h) Ameritech will drop its status as the eligible telecommunications carrier (ETC) for the 19 exchanges and Kendall will file for the ETC status. The two companies will coordinate so that there will be an ETC for the 19 exchanges at all times.

(i) The sale of the 19 exchanges has been communicated to the affected customers and both companies have provided customers with 800 phone numbers to provide input and ask questions.

(j) Both companies have met with the approximately 48 affected Ameritech employees. Ameritech has provided these employees with their rights under contract and have offered these employees positions in other areas. CTE is encouraging the affected Ameritech employees to consider employment with CTE.

(k) Kendall will file the required tariffs with exchange maps and declare the new service areas. Kendall will also follow all applicable Commission accounting rules related to such transfers.

The Commission intends to keep this investigation open until the sale is closed and final. To ensure that the Commission considers all issues related to the sale of the 19 exchanges, which are within its supervisory jurisdiction pursuant to § 196.805, Stats., the Commission will seek comments from all interested parties. At this time, the Commission intends to investigate this matter without a hearing.

This is a Type III action under § PSC 4.10(3), Wis. Adm. Code. No unusual circumstances suggesting the likelihood of significant environmental consequences have come to the Commission's attention. Neither an environmental impact statement under § 1.11, Stats., nor an environmental assessment is required.

Dockets 2815-TI-100 and 6720-TI-146

**NOTICE IS HEREBY GIVEN** that the Commission requests comments regarding issues that should be investigated by the Commission as a result of the proposed sale of the 19 exchanges by Ameritech to CTE. Any party who desires to file comments should submit an **original and 5 copies** as indicated **in the box on page 1**. Members of the public need only file an original. All correspondence should reference dockets 2815-TI-100 and 6720-TI-146. Written comments must be received **by noon on July 16, 1998**. Comments by fax are due one day earlier to allow time for copies to be made. Fax filing cover sheets must state "Official Filing" and the number of pages (limit 20 pages). File by one mode only.

**NOTICE IS FURTHER GIVEN** that the Commission deems it necessary in order to carry out its duties herein to investigate the books, accounts, practices and activities of Ameritech and Kendall, as public utilities. The expenses incurred or to be incurred by the Commission which are reasonably attributable to such investigation will be assessed against and collected jointly from Ameritech and Kendall, as public utilities, in accordance with the provisions of § 196.85, Stats., and ch. PSC 5, Wis. Adm. Code.

Questions regarding this investigation may be directed to Thomas J. Ferris, Audit Manager, Telecommunications Division, at (608) 266-1124.

Dated at Madison, Wisconsin, \_\_\_\_\_

By the Commission:

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Lynda L. Dorr  
Secretary to the Commission

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Attachments